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## **INTRODUCTION**

The Genesee County Probate Court had a contract with the Michigan Family Independence Agency (FIA) to subcontract with a Child Advocacy Office for services in child protection proceedings. The Child Advocacy Office was to consist of an attorney, social worker and trained volunteers. The Child Advocacy Office was to ascertain and advocate for the child's best interests, provide representation in legal proceedings, and to submit written reports and recommendations related to the child's needs to the probate court. The Genesee County Probate Court and the Child Advocacy Office were to maintain and provide certain information as required by FIA so the program effectiveness could be evaluated. The Genesee County Probate Court subcontracted with The Consortium on Child Abuse and Neglect (C/CAN) as the Child Advocacy Office. C/CAN billed the Genesee County Probate Court which in turn billed FIA monthly under the actual cost reimbursement billing method

## **SCOPE**

We performed an audit of the costs submitted for reimbursement by C/CAN to the Genesee County Probate Court and by the Genesee County Probate Court to the FIA for the period June 15, 1995 through September 30, 1997. Our audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We performed the audit tests that we determined were necessary to determine if costs charged were proper, accurate, documented, and charged in accordance with the terms of the contract.

## **EXECUTIVE SUMMARY**

We found C/CAN (and the Genesee County Probate Court) did not bill actual costs, and did not bill costs to the appropriate line item in many cases, as required by the contract. Some line items were billed based on the budget. We also found that C/CAN's expenditures would

exceed the contract budget for several line items, if costs were properly billed. We concluded that C/CAN (and the Genesee County Probate Court) overbilled occupancy costs by \$17,764. Our review also identified \$21,470 in questioned costs.

### **AGENCY RESPONSE**

The agency disagrees with the Finding #2 occupancy cost adjustment. The agency indicated that the occupancy accounting method was discussed with program personnel prior to the approval of the budget. The approved budget was based on those discussions and contained the method they used to bill the FIA. They believe that if the method was incorrect it should have been corrected before the contract was approved.

### **FINDINGS**

#### **Administrative Assistant (Director of Services), Actual Cost not Billed**

1. C/CAN did not base their billing for salaries and wages for the Administrative Assistant (Director of Services) on actual costs, as required by the contract. Rather, C/CAN billed salaries and wages for this individual at the amount budgeted for this position, which was \$6,597. C/CAN did not have records to document the actual time the Administrative Assistant spent on activities related to this contract. Therefore, we are unable to determine the amount that should have been billed. Questioned costs for this item are \$6,597.

#### **Occupancy/Utilities, Actual Cost not Billed**

2. C/CAN billed occupancy costs based on the budget rather than actual costs.

C/CAN was located in a rented facility for the period June 15 through November 30, 1995. The FIA program used a portion of the space that C/CAN rented. C/CAN did not allocate rent to the FIA program, but billed the budgeted amount for rent for that

period, \$3,001. It is reasonable to conclude that some of the space rented by C/CAN was used by the FIA program, and that a portion of the rent should be charged to that program, however C/CAN did not develop a method for allocating these costs. Questioned costs are \$3,001.

In December of 1995 C/CAN purchased a building and moved into it. The contract for the period June 15, 1996 to September 30, 1997 specified that a use charge would be billed. Therefore, we calculated a use charge at 2% in accordance with the Federal Office of Management and Budget Circular A-122, Attachment B, Subsection 9.d for the period December 1, 1995 through September 30, 1997. We allocated 80% of the building costs to the FIA program based on a discussion with the Director of C/CAN and information contained in the FIA files. C/CAN billed occupancy costs at the budgeted rate of \$1,000 per month. By comparing the allowable amount of use charge to the amount billed, we determined that C/CAN overbilled occupancy costs by \$17,764.

In addition, C/CAN billed \$4,249 in excess of what was documented for utilities costs. For the period June 16, 1996 to September 30, 1997 C/CAN billed for utilities at the budgeted amounts. C/CAN billed \$4,650, while the general ledger for the FIA program included only \$401. It is reasonable to conclude that C/CAN incurred costs in excess of the \$401 included in the general ledger for utilities, but they have not developed a method for allocating these costs. The difference of \$4,249 is a questioned cost.

#### Communication, Actual Cost not Billed

3. C/CAN billed \$800 for telephone costs for the period because it was the budgeted amount. C/CAN did not document how much of the actual telephone costs were for the program funded by FIA. The \$800 is a questioned cost.

#### Air Travel Billed as Local Transportation

4. C/CAN billed \$1,620 for air travel for the CASA coordinator and two volunteers to attend the CASA national convention. The air travel was billed as local transportation. However, mileage reimbursement was the only item in the local transportation budget. The "Billing Method" section of the contract states that the amount and object of expenditures are to be in accordance with the budget. Therefore, the air travel was not billed in accordance with the contract. The miscellaneous section of the budget did contain an amount for attendance at conferences, but the total costs (including airfare, hotel, and etc.) of \$3,578 for attending the conference exceeded that amount. Questioned costs are \$1,620.

#### Furniture and Fixtures Billed not Included in Budget

5. C/CAN billed \$3,203 for the purchase of furniture and fixtures. This purchase was approved by FIA, however, the budget was not amended and there was no line item where the furniture and fixtures were included. C/CAN billed the furniture and fixtures under the contractual services line item. The only costs listed under contractual services were fees for attorney services. Therefore, the furniture and fixtures were not billed in accordance with the contract. Questioned costs are \$3,203.

#### Accounting Services billed as Contractual Services

6. C/CAN billed \$2,000 for accounting services under the contractual services line item. The only costs included in the budget for contractual services were fees for attorney services. Accounting services were listed in the miscellaneous budget category. Transferring the \$2,000 for accounting services to the miscellaneous line item would cause that line item to exceed the budget. Therefore, the \$2,000 is a questioned cost.

#### Expenditures not Billed in the Appropriate Budget Categories

7. In addition to the individual expenditures identified in # 4,5, and 6 above C/CAN billed for salaries and wages, communication, and supplies under the incorrect budget categories for the contract period June 15, 1995 to June 15, 1996. The salaries and wages, communication, and supplies were billed as fringe benefits and contractual services apparently because the costs had exceeded the amounts in the correct budget categories. Therefore, these categories of expenditures were not billed in accordance with the contract.

#### In-kind Amounts not Provided or Included at Budgeted Amounts

8. The contract budgets included in-kind amounts for both C/CAN and the Genesee County Probate Court.

The in-kind amounts, per the budgets, for the Genesee County Probate Court included time spent by court personnel and contractual attorney services. Per a discussion with Genesee County Probate Court personnel, time was spent on the grant activities, but the actual time spent was not recorded. Neither these personnel costs nor the contractual services costs were recorded in the grant general ledger. Therefore, the actual amount of the Genesee County Probate Court in-kind is not known.

The in-kind amounts for C/CAN included time spent by the Administrative Assistant (Director of Services), some occupancy costs, and supplies. The in-kind amounts submitted on the billings were the budgeted amounts and are not actual costs (see #1 and #2 above). Also none of the in-kind amounts were recorded in the grant general ledger.

Therefore, the actual amount of the C/CAN in-kind is not known.

WE RECOMMEND that the Child and Family Services Administration initiate the process to recoup the \$17,764 overbilled for occupancy costs.

WE ALSO RECOMMEND that Child and Family Services Administration require the Genesee County Probate Court (and C/CAN) to develop an acceptable method to allocate C/CAN's costs for the Administrative Assistant's salary, the rent, utilities, and telephone costs; calculate the actual costs for the program; and make the appropriate adjustment.

IN ADDITION, WE RECOMMEND that Child and Family Services Administration either amend the contract budget to allow the air travel, furniture and fixtures, and the accounting services to be included in the appropriate line item; or initiate the process to recoup \$6,823 (\$1,620 + \$3,203 + \$2,000) from the Genesee County Probate Court.

WE FURTHER RECOMMEND that Child and Family Services Administration either amend the contract budget to allow the salaries and wages, communication, and supplies items to be billed in the appropriate line item; or initiate the process to recoup the amounts billed in excess of the budget for those line items from the Genesee County Probate Court.

WE ALSO RECOMMEND that Child and Family Services Administration require C/CAN and the Genesee County Probate Court to calculate their in-kind costs based on the actual cost method, and retain documentation for those costs.